

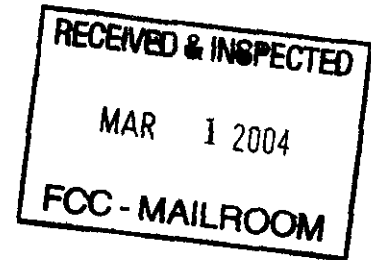
DOCKET FILE COPY ORIGINAL

JOHN A. LIGON
COUNSELLOR AT LAW

PRACTICE LIMITED TO INTELLECTUAL PROPERTY LAW

505 HIGHLAND AVENUE, PO Box 43485, UPPER MONTCLAIR, NJ 07043

February 21, 2004



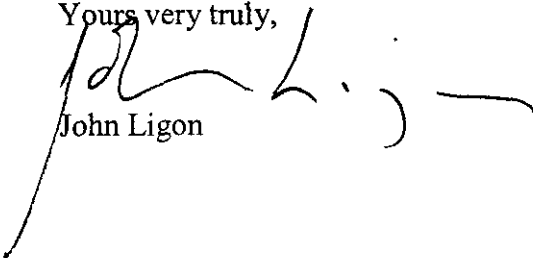
Marlene H Dorich
Secretary
Federal Communications Commission
444 Twelfth Street
Portals II, TW-A325
Washington, DC 20554

Re CC Docket No 80-286

Dear Ms. Dorich:

I am no longer engaged in an FCC practice and therefore request that my name be removed from the mailing list for the referenced docket. To assist your identification of my address record, I enclose the caption sheet from two recent Notices/Orders received from the Commission, as well as the address label for one of those mailings.

Yours very truly,


John Ligon

No. of Copies rec'd 0
List ABCDE

RECEIVED & INSPECTED
MAR 1 2004
FCC - MAILROOM

CC Docket No. 80-286

Released: January 16, 2004

I. INTRODUCTION

1 47 C.F.R Part 36. See also 2000 Biennial Regulatory Review -- Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2, Amendments to the Uniform System of Accounts for Interconnection, Jurisdictional Separations Reform and Referral to the Federal-State Joint Board, Local Competition and Broadband Reporting, CC Docket Nos 00-199, 97-212, 80-286, 99-301, Report and Order in CC Docket Nos. 00-199, 97-212, and 80-286, Further Notice of Proposed Rulemaking in CC Docket Nos. 00-199, 99-301, and 80-286, 16 FCC Rcd 19911 (2001)(Phase 2 Order). See also Federal-State Joint Conference On Accounting Issues, 2000 Biennial Regulatory Review -- Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2, Jurisdictional Separations Reform and Referral to the Federal-State Joint Board, Local Competition and Broadband Reporting, WC Docket No 02-269, CC Docket Nos. 00-199, 80-286, 99-301, Order, FCC 02-309 (November 12, 2002)(suspending the consolidation of certain accounts until July 1, 2003). See also Federal-State Joint Conference On Accounting Issues, 2000 Biennial Regulatory Review -- Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2, Jurisdictional Separations Reform and Referral to the Federal-State Joint Board, Local Competition and Broadband Reporting, WC Docket No. 02-269, CC Docket Nos 00-199, 80-286, 99-301, Order, FCC 03-141 (June 24, 2003) (extending the suspension of the consolidation of certain accounts until January 1, 2004). See also Federal-State Joint Conference On Accounting Issues, 2000 Biennial Regulatory Review -- Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2, Jurisdictional Separations Reform and Referral to the Federal-State Joint Board, Local Competition and Broadband Reporting, WC Docket No. 02-269, CC Docket Nos 00-199, 80-286, 99-301, Order, FCC 03-325 (December 23, 2003) (extending the suspension of the consolidation of certain accounts until June 30, 2004). The suspension of the consolidation of certain accounts has no effect on the modifications to Part 36 we adopt herein. We also note that, on October 9, 2003, the Federal-State Joint Conference on Accounting Issues released a report recommending that the Commission reinstate, *inter alia*, certain Part 32 accounts that were removed in the Phase 2 Order. See Federal-State Joint Conference on Accounting Issues, Recommendation by Joint Conference, WC Docket No. 02-269 (October 9, 2003). See also Federal-State Joint Conference On Accounting Issues, 2000 Biennial Regulatory Review -- Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers. Phase II, Jurisdictional Separations Reform and Referral to

(continued)

36 modifications we adopt today will not have any effect on the assignment of costs and revenues to the state and interstate, but rather are merely ministerial in nature.

II. BACKGROUND

2. Jurisdictional separations is the process by which incumbent local exchange carriers (ILECs) apportion regulated costs between the intrastate and interstate jurisdictions.²

Jurisdictional separations is the third step in a four-step regulatory process that begins with an ILEC's accounting system and ends with the establishment of rates for the ILEC's interstate and intrastate regulated services. First, carriers record their costs, including investments and expenses, into various accounts in accordance with the Uniform System of Accounts (USOA) prescribed by Part 32 of the Commission's rules.³ Second, carriers assign the costs in these accounts to regulated and nonregulated activities in accordance with Part 64 of the Commission's rules to ensure that the costs of non-regulated activities will not be recovered in regulated interstate service rates.⁴ Third, carriers separate the regulated costs between the intrastate and interstate jurisdictions in accordance with the Commission's Part 36 separations rules, which currently are subject to an interim freeze.⁵ Finally, carriers apportion the interstate regulated costs among the interexchange services and rate elements that form the cost basis for their interstate access tariffs.⁶ Carriers perform this apportionment in accordance with Part 69 of the Commission's rules.⁷ The intrastate costs that result from application of the Part 36 rules form the foundation for state determination of carriers' intrastate rate base, expenses, and taxes.

3. There are two classes of incumbent LECs for accounting purposes: Class A and Class B.⁸ Carriers with annual revenues from regulated telecommunications operations that are equal to

(...continued from previous page)

the Federal-State Joint Board, Local Competition and Broadband Reporting, WC Docket No. 02-269, CC Docket Nos. 00-199, 80-286, 99-301, Notice of Proposed Rulemaking, FCC 03-326 (December 23, 2003)(seeking comment on the Joint Conference's recommendation to reinstate certain accounts).

² For purposes of section 251 of the Act, a local exchange carrier (LEC) is regarded as an "incumbent local exchange carrier" (ILEC) for a specific area if, on the date of enactment of the Act, the carrier provided telephone exchange service in that area and was deemed to be a member of the National Exchange Carrier Association, Inc. (NECA), or if the carrier "became a successor or assign" of such a member on or after that date 47 U.S.C. § 251(h)(1). For purposes of this Report and Order, the term "carriers" refers to ILECs. Competitive local exchange carriers are not subject to the requirements of Part 36. See 47 C.F.R. Part 36.

³ 47 C.F.R. Part 32.

⁴ See 47 C.F.R. §§ 64.901-904.

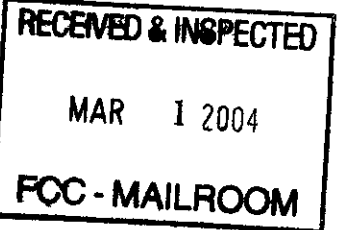
⁵ 47 C.F.R. Part 36. On May 22, 2001, the Commission adopted an interim freeze of the Part 36 category relationships and jurisdictional cost allocation factors for price cap carriers and allocation factors only for rate-of-return carriers. *Jurisdictional Separations and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Report and Order, 16 FCC Rcd 11382 (2001).

⁶ Part 61 of the Commission's rules prescribes the procedures for filing and updating interstate tariffs. See 47 C.F.R. Part 61.

⁷ 47 C.F.R. Part 69.

⁸ 47 C.F.R. § 32.11.

Before the
Federal Communications Commission
Washington, D.C. 20554



In the matter of)	
)	
Federal-State Joint Conference)	WC Docket No. 02-269
On Accounting Issues)	
)	
2000 Biennial Regulatory Review –)	CC Docket No. 00-199
Comprehensive Review of the Accounting)	
Requirements and ARMIS Reporting)	
Requirements for Incumbent Local)	
Exchange Carriers: Phase II)	
)	
Jurisdictional Separations Reform and)	CC Docket No. 80-286
Referral to the Federal-State Joint Board)	
)	
Local Competition and Broadband Reporting)	CC Docket No. 99-301

NOTICE OF PROPOSED RULEMAKING

Adopted: December 17, 2003

Released: December 23, 2003

Comment Date: 30 days after Federal Register publication of this Notice

Reply Comment Date: 45 days after Federal Register publication of this Notice

By the Commission.

I. INTRODUCTION AND BACKGROUND

1. In this Notice of Proposed Rulemaking (Notice), we seek comment on the recommendations of the Federal-State Joint Conference on Accounting Issues (Joint Conference).¹ On October 9, 2003, the Joint Conference submitted the result of a year-long study of the Commission's accounting rules and on-going proceedings related to the Commission's accounting requirements. The Joint Conference Recommendation is attached to this Notice in its entirety.

2. On September 5, 2002, the Commission convened the Joint Conference "to provide a forum for an ongoing dialogue between the Commission and the states in order to ensure that regulatory accounting data and related information filed by carriers are adequate, truthful, and thorough."² The Commission found that the "Joint Conference will provide a focused means by which we and interested state commissions may conduct an open dialogue, collect and exchange information, and consider initiatives that will improve the collection of adequate, truthful, and thorough accounting data for regulatory purposes."³ In charging the Joint Conference with the task of reexamining federal and state

¹ Letter from Federal-State Joint Conference on Accounting Issues to Marlene H. Dortch, Secretary, FCC (Oct. 9, 2003) (*Joint Conference Recommendation*) (submitting proposed recommendations to Commission's accounting rules). The *Joint Conference Recommendation* is contained in its entirety in Appendix A to this Notice.

² *Federal-State Joint Conference on Accounting Issues*, WC Docket No. 02-269, Order, 17 FCC Rcd 17025, 17025-27 paras. 1, 7 (2002) (*Convening Order*).

³ *Convening Order*, 17 FCC Rcd at 17026 para. 4.

accounting and reporting requirements, the Commission noted that the Joint Conference has a broad mandate to perform its work, including the ability to recommend additions to, or eliminations of, accounting requirements.⁴

3. The Commission has considered modifications to its accounting rules on several occasions prior to establishing the Joint Conference and after the passage of the Telecommunications Act of 1996 (the 1996 Act). Most recently, in its Phase II proceeding, the Commission streamlined its Part 32 accounting requirements and Part 43 reporting requirements applicable to incumbent local exchange carriers (LECs).⁵ As part of the 1998 biennial review, the Commission reduced certain accounting and reporting requirements.⁶ Immediately after the 1996 Act, the Commission modified its existing accounting requirements to implement the statutory obligations of sections 260 and 271-276 of the Communications Act of 1934, as amended (the Act).⁷ This Notice, however, represents the Commission's first opportunity to consider the recommendations of state commissions presented through the formal mechanism of the Joint Conference.

II. DISCUSSION

4. The Joint Conference makes three categories of recommendations with respect to the Commission's accounting and reporting requirements.⁸ First, the Joint Conference recommends maintaining or adding accounts and/or subaccounts to the Part 32 accounting requirements (and associated Part 43 ARMIS reporting requirements) that are used to monitor the finances of incumbent LECs. Second, the Joint Conference recommends certain modifications to the Commission's affiliate

⁴ *Id.* at 17027 para. 7. The Joint Conference sought comment on a range of accounting and reporting issues in a Public Notice. See Public Notice, *Federal-State Joint Conference on Accounting Issues Request for Comment*, WC Docket No. 02-269, 17 FCC Rcd 24902 (WCB 2002). In addition, the Joint Conference held a public hearing to gather information from a cross-section of telecommunications industry representatives. See Public Notice, *List of Panelists to Attend Public Hearing Held by the Federal-State Joint Conference on Accounting Issues*, 18 FCC Rcd 2532 (WCB 2003).

⁵ *2000 Biennial Regulatory Review – Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase II; Amendments to the Uniform System of Accounts for Interconnection, Jurisdictional Separations Reform and Referral to the Federal-State Joint Board; Local Competition and Broadband Reporting*, Report and Order in CC Docket Nos. 00-199, 97-212, and 80-286, Further Notice of Proposed Rulemaking in CC Docket Nos. 00-199, 99-301, and 80-286, 16 FCC Rcd 19913 (2001) (*Phase II Order*).

⁶ See *1998 Biennial Regulatory Review – Review of ARMIS Reporting Requirements*, Report and Order, 14 FCC Rcd 11443 (1999) (*ARMIS Reductions Report and Order*); *1998 Biennial Regulatory Review – Review of Accounting and Cost Allocation Requirements*, Report and Order, 14 FCC Rcd 11396 (1999) (*Accounting Reductions Order*).

⁷ See *Accounting Safeguards Under the Telecommunications Act of 1996*, Report and Order, 11 FCC Rcd 17539 (1996) (*Accounting Safeguards Order*); *Accounting Safeguards Under the Telecommunications Act of 1996*, Second Order on Reconsideration, 15 FCC Rcd 1161 (2000).

⁸ Under the Commission's Part 32 rules, incumbent LECs record their costs and revenues in the Uniform System of Accounts (USOA). 47 C.F.R. Part 32; see *Phase II Order*, 16 FCC Rcd at 19916-18 paras. 8-12 (describing Commission's accounting requirements). The Commission developed ARMIS, which stands for "Automated Reporting Management Information System," in 1987 to collect financial, operating, service quality, and network infrastructure information from certain incumbent LECs. See *Phase II Order*, 16 FCC Rcd at 19918-19 paras. 13-15; *Automated Reporting Requirements for Certain Class A and Tier 1 Telephone Companies (Parts 31, 43, 67, and 69 of the FCC's Rules)*, Order, 2 FCC Rcd 5770 (1987), *modified on recon.*, Order on Reconsideration, 3 FCC Rcd 6375 (1988). In 1990, the Commission added reporting categories for service quality and infrastructure development. See *Policy and Rules Concerning Rates for Dominant Carriers*, Second Report and Order, 5 FCC Rcd 6786, 6827-30 (1990).